# BUSINESS PLAN 2017–20
# Agriculture and Forestry

## ACCOUNTABILITY STATEMENT

This business plan was prepared under my direction, taking into consideration the government's policy decisions as of March 3, 2017.

*original signed by*

Oneil Carlier, Minister

## MINISTRY OVERVIEW

The ministry consists of the Department of Agriculture and Forestry, Agriculture Financial Services Corporation (AFSC), and the Environmental Protection and Enhancement Fund. The ministry is also responsible for the Office of the Farmers' Advocate, Irrigation Council, and the Alberta Agricultural Products Marketing Council for which funding is included in the department's budget. The Forest Resource Improvement Association of Alberta and Livestock Identification Services Ltd. are delegated administrative organizations operating outside of government and are accountable to the minister.

The ministry is responsible for the policies, legislation, regulations and services necessary to grow, prosper and diversify Alberta's agriculture, food and forest sectors. It inspires public confidence in wildfire and forest management and the quality and safety of food, supports environmentally sustainable resource management practices and leads collaboration that enables safe and resilient rural communities.

A detailed description of Agriculture and Forestry and its programs and initiatives can be found at www.agriculture.alberta.ca.

## STRATEGIC CONTEXT

The outcomes and key strategies identified in this business plan are aligned with the strategic direction of the Government of Alberta.

Alberta is endowed with a vast agricultural and forest land base and water resources, coupled with a highly skilled labour force with access to new technologies. These comparative advantages enable the province to seize on export opportunities for agricultural and forest products generated by rising incomes and growing populations in key international markets. At the same time, Alberta operates in an increasingly complex and competitive global marketplace that is influenced by shifting demographics and consumer demand as well as economic, environmental and social pressures.

With a relatively small domestic consumer base, Alberta continues to rely on foreign markets for growth. Market access, international trade and competition, rising production costs and supply chain logistics are some of the key issues impacting the agriculture and forest sectors. Ideal weather conditions, technological advances and growing storage capacity have increased crop production and affected grain prices, while livestock expansion in the United States (US) has put pressure on cattle and hog prices. In forestry, prices for solid wood products in North American markets are gradually improving in tandem with the US housing market recovery. However, the protracted softwood lumber trade negotiations with the US has created uncertain market access. Additionally, regional planning, wildfires and the mountain pine beetle can also affect wood fibre access and security and future investment and growth in the sector.

Despite challenges, the depreciation of the Canadian dollar and lower energy costs could be beneficial to Alberta producers and exporters. Employment in the two sectors, amounting to more than 106,000 Albertans in 2015, continues to be among the highest in the province. New jobs may be created as companies take advantage of available labour and as Alberta transitions to a greener economy. The Government of Canada's efforts to secure favourable trade access to key markets also presents opportunities to grow Alberta exports. The province can better capitalize on this by investing in innovation and value-added products to expand revenues and contribute to the Alberta Jobs Plan. In fact, the province's agri-food and forest exports continue to grow, reaching a combined total of $13 billion in 2015.

As the demand for agriculture and forest products evolves, there are increased expectations for open, transparent management and mitigation of environmental effects from resource use and extraction. Canada's international commitment to reducing greenhouse gas emissions and improving adaptability to climate change allows Alberta to capitalize on a competitive advantage, supported by the province's Climate Leadership Plan and the ministry's unique scientific and research capabilities. Industry is also challenged to address societal expectations while remaining competitive, and government must balance economic, social and environmental outcomes.

Finally, vibrant and safe rural communities are an integral part of the economic and social foundation of the province. Wildfires and diseases can threaten communities, industries, infrastructure and all Albertans. The 2016 wildfire season, for instance, proved to be especially difficult, with over 1,300 fires burning approximately 611,000 hectares of forest. Specifically, the Horse River (Fort McMurray Fire) resulted in $5.3 billion in insurable losses, the evacuation of 88,000 people, the destruction of 2,400 structures, and the loss of more than $1.4 billion in oil and gas revenues. Overall, governments, industries, communities and all Albertans will be challenged to remain vigilant and continue to be proactive and committed to prevention, preparedness and response.

## OUTCOMES, KEY STRATEGIES AND PERFORMANCE MEASURES

### **Outcome One:** Alberta's agriculture and forest industries are competitive

Alberta's agriculture and forest industries are important contributors to the province's economy. As the economic landscape changes, Alberta needs to create the business conditions for companies and individuals in both sectors to grow and thrive.

Building intergovernmental and business-to-business relationships, attracting investment into the province, and advocating for increased domestic and international market access are important determinants of future success. The development of new value-added products will enhance Alberta's capacity as an international supplier of high quality exports while also contributing to economic diversification and job creation within the province. This is further supported through ministry collaboration with industry and post-secondary institutions on targeted research projects that promote innovation and enhance opportunities.

**Key Strategies:**

1.1 Assist Alberta's agri-food and forest product companies to increase exports.

1.2 Increase Alberta's capacity to diversify the agri-food and forest industries.

- Attract investment to Alberta's value-added agri-processing sector.
- Expand food processing capacity at the Agrivalue Processing Business Incubator to accelerate the scaling up of food product development and the establishment of new agri-food business ventures.
- Develop an Alberta Wood Charter initiative to encourage the increased use of wood in the construction of provincial, commercial and non-residential buildings.
- Increase opportunities for secondary wood manufacturing and better utilize wood products such as aspen.

1.3 Negotiate a national agreement on an agricultural policy framework that will drive sustainable growth, innovation and competitiveness in the agri-food sector.

1.4 Review all ministry research activities and initiatives to ensure efforts are focused and relevant, and continue to effectively support the agriculture and forestry sectors.

| Performance Measures | Last Actual 2015-16 | Target 2017-18 | Target 2018-19 | Target 2019-20 |
|---|---|---|---|---|
| 1.a Number of value-added agriculture products developed and successfully introduced into the market with assistance from Agriculture and Forestry[1] | 227 | 230 | 233 | 236 |
| 1.b Research and development investment by collaborators leveraged through ministry resources ($ millions) | 5.3 | 5.5 | 5.6 | 5.8 |

**Note:**

[1] Targets are dependent on economic and financial factors, including the ongoing national negotiation on a new agricultural policy framework.

**Linking Performance Measures to Outcomes:**

1.a Tracks progress of product development and commercialization activities of companies that are adding value to agricultural products, servicing niche markets and advancing economic diversification.

1.b Tracks funds leveraged to develop technologies and knowledge applied to agricultural problems and opportunities. Collaboration with industry is important for targeting investment efficiently and effectively.

| Performance Indicators | Actual (Year) | Actual (Year) | Actual (Year) | Actual (Year) | Actual (Year) |
|---|---|---|---|---|---|
| 1.a Alberta's agri-food exports by market ($ millions); and the share of the products exported to each market: | | | | | |
| • United States | 2,551<br>32% | 2,967<br>32% | 3,080<br>35% | 3,931<br>40% | 3,998<br>39% |
| • Rest of the World (excluding US) | 5,510<br>68%<br>(2011) | 6,243<br>68%<br>(2012) | 5,668<br>65%<br>(2013) | 5,782<br>60%<br>(2014) | 6,184<br>61%<br>(2015) |
| 1.b Alberta's agri-food exports by sector ($ millions); and the share of each sector: | | | | | |
| • Primary commodities | 4,520<br>56% | 5,529<br>60% | 5,103<br>58% | 5,475<br>56% | 5,379<br>53% |
| • Processed / manufactured products | 3,541<br>44%<br>(2011) | 3,681<br>40%<br>(2012) | 3,645<br>42%<br>(2013) | 4,238<br>44%<br>(2014) | 4,803<br>47%<br>(2015) |

| Performance Indicators | Actual (Year) | Actual (Year) | Actual (Year) | Actual (Year) | Actual (Year) |
|---|---|---|---|---|---|
| 1.c Alberta's share of Canadian market cash receipts[1] | 21% (2011) | 22% (2012) | 21% (2013) | 22% (2014) | 23% (2015) |
| 1.d Alberta's share of Canadian food and beverage manufacturing sales | 12% (2011) | 13% (2012) | 12% (2013) | 12% (2014) | 14% (2015) |
| 1.e Timber royalties and fees ($ millions) | 36.7 (2011-12) | 39.2 (2012-13) | 46.2 (2013-14) | 61.2 (2014-15) | 57.4 (2015-16) |
| 1.f Sales of Alberta's forest products ($ millions)[2] | X (2011) | 5,440 (2012) | 6,080 (2013) | 6,190 (2014) | 6,073 (2015) |

**Notes:**

1 Market receipts refers to cash income from the sale of agricultural commodities (crops and livestock), but excludes direct program payments to producers.

2 X denotes the 2011 sales figure has been suppressed to meet the confidentiality requirements of the *Statistics Act*.

## Outcome Two: Alberta's effective agri-food and forest assurance systems inspire confidence

Albertans want safe food and ethically-produced agriculture and forest products. A robust food safety system founded on traceability, surveillance and inspection inspires confidence and enhances the province's reputation as a supplier of high quality and safe food products. Albertans also want assurance that their forest ecosystems, communities and infrastructure are protected from the negative impacts of wildfires. Evidence-based policies, education, compliance activities and enforcement build trust and create reliable, cost-effective assurance systems (social license). These systems protect human health, animal health and welfare, and Alberta's forests.

### Key Strategies:

2.1 Implement refinements and enhancements to the wildfire management program.

2.2 Collaborate with Alberta Health and engage with stakeholders to develop and implement a provincial strategy to address antimicrobial resistance that supports the federal pan-Canadian antimicrobial resistance framework and action plan.

2.3 Develop and implement risk- and science-based inspection and surveillance systems and policies in response to existing and emerging food safety and animal health risks.

2.4 Enhance provincial plant health pest surveillance to improve early identification and pest detection capabilities and better manage pest and disease threats.

2.5 Develop a strategy to enhance Alberta's animal welfare system.

| Performance Measures | Last Actual 2015 | Target 2017-18 | Target 2018-19 | Target 2019-20 |
|---|---|---|---|---|
| 2.a Percentage of wildfires contained before 10 a.m. the day following assessment | 92.7% | Rolling average of the preceding five years' results | | |
| 2.b Percentage of active provincial licensed abattoirs that meet provincial slaughter and meat processing requirements[1] | 84% | 100% | 100% | 100% |

**Note:**

1 In addition to slaughter, this performance measure has been expanded to include meat processing activities. The scope of provincial requirements encompasses risk factors associated with all aspects of both the animal slaughter and meat processing business.

**Linking Performance Measures to Outcomes:**

2.a Tracks wildfire containment time. Prompt containment reduces rapid spread, size and intensity of wildfire and impacts. It helps protect Albertans from the risk of wildfire and minimizes losses and costs.

2.b Linked to advancement of food safety culture through educational and regulatory activities under the *Meat Inspection Act* and Meat Inspection Regulation.

## Outcome Three: Alberta's agriculture and forest industries are environmentally responsible and sustainable

Alberta has an abundance of natural resources, including productive soils, clean water and expansive forests. Utilizing these resources in an environmentally responsible and sustainable way enhances land stewardship for the benefit of all Albertans and is important for the province's current and future economic development.

Evidence-based decision-making, in addition to traditional ecological knowledge, drives sustainable resource management. Integrated environmental policy encourages the adoption of beneficial management practices for sustainable resource development and enhances stewardship of traditional lands. Research and knowledge transfer targets the development of mitigation and adaptation strategies to effectively respond to climate change effects.

**Key Strategies:**

3.1 Support Alberta's Climate Leadership Plan through energy efficiency and microgeneration programs.

3.2 Review the *Forests Act* and forestry practices to ensure the sustainability, economic viability and biodiversity of Alberta's forests.

3.3 Support irrigated agriculture to increase water-use efficiency through improved water application technology, conveyance infrastructure and management techniques.

3.4 Encourage the adoption of environmentally sustainable agriculture practices.

| Performance Measures | Last Actual (Year) | Target 2017-18 | Target 2018-19 | Target 2019-20 |
|---|---|---|---|---|
| 3.a Average percentage of improved environmentally sustainable agriculture practices adopted by producers (biennial survey) | 55% (2015-16) | 57% | n/a | 59% |
| 3.b Sustainable timber harvest by: | | | | |
| • Annual allowable cut (million cubic metres) | 31 | Harvest does not exceed the approved harvest level | | |
| • Harvest (million cubic metres) | 21 (2014-15) | | | |
| 3.c Percentage of forest regrowth as a result of reforestation | 97.5% (2014-15) | 97.5% | 97.5% | 97.5% |

**Linking Performance Measures to Outcomes:**

3.a Tracks producers' progress in mitigating farm-level agri-environmental risks in a responsible and sustainable manner. Long-term agricultural productivity and market acceptance is dependent on appropriate conservation, stewardship of agricultural lands and the environment.

3.b Reflects a timber harvest level that ensures timber resources meet current environmental and economic needs for present and future generations. The volume of timber harvested must be less than or equal to the approved harvest level in order to achieve sustainable forest management goals.

3.c Reforestation is a critical component of forest sustainability following industrial harvesting. Attainment of predicted forest regrowth rates resulting from Alberta's forest regeneration standards ensures sustainability of timber resources to meet current and future economic needs.

## Outcome Four: Alberta has thriving rural communities

A thriving rural Alberta contributes to the long-term resiliency of the provincial economy and strengthens the agriculture and forest sectors. Rural communities succeed when residents and businesses have the means to adapt to and benefit from a range of opportunities that leads to growth in diverse rural businesses, self-reliance, and an improved quality of life.

Prosperous agriculture and forest sectors, and related business services, contribute to the success of rural Alberta through community capacity building, job creation and business growth. The Agriculture Financial Services Corporation supports this by assessing credit market needs and tailoring its lending efforts in response to dynamic, changing conditions. Improved market-based insurance products, lending services and disaster recovery options help provide a stable platform from which businesses can achieve their full economic and growth potential. The ministry's investment in people, businesses, communities and infrastructure enhances the quality of life for rural Albertans. Collaboration with rural stakeholders, educational institutions and other ministries is fundamental to delivering new learning and skill development opportunities and enhancing farm and community safety.

**Key Strategies:**

4.1 Implement farm safety education programs to support the adoption of safe practices on Alberta farms.

4.2 Enhance local food production and market channels to meet consumer demand for locally grown food.

4.3 Complete the review of organizational strategic objectives for Agriculture Financial Services Corporation.

| Performance Measures | Last Actual (Year) | Target 2017-18 | Target 2018-19 | Target 2019-20 |
|---|---|---|---|---|
| 4.a Percentage of eligible seeded acres for major crop categories insured under Production Insurance: | | | | |
| • Annual Crops | 77% | 79% | 79% | 80% |
| • Perennial Crops | 25% (2015) | 27% | 27% | 27% |
| 4.b Total investment leveraged in rural businesses facilitated through Agriculture Financial Services Corporation (AFSC) lending services ($ million)[1] | 697 (2015-16) | 701 | 704 | 706 |

**Note:**

[1] AFSC is reviewing this performance measure as part of a broader review of strategic objectives and performance expectations of its lending programs as per the October 2016 recommendation by the Office of the Auditor General of Alberta on AFSC's lending services.

**Linking Performance Measures to Outcomes:**

4.a Indicates success of AFSC in providing insurance options to offset the risks of agriculture production.

4.b Gauges success of AFSC in ensuring farm and rural businesses can access capital to foster development and growth.

## RISKS TO ACHIEVING OUTCOMES

Key strategic risks include market access, major disease and pest outbreaks, and drought conditions. Managing these risks requires collaboration with industry, communities and other governments.

International market access is crucial to the success of Alberta's agriculture and forest sectors. While Canada continues to open new prospects through trade agreements and works to maintain and enhance market access, there remain obstacles to capitalizing on market opportunities. Key market access issues include the protracted softwood lumber trade negotiations, potential restrictions levied by other countries on agricultural exports, and the pending ratification of international trade agreements negotiated by the Government of Canada.

Outbreaks of highly contagious livestock or plant diseases and forest pests are a potential challenge for Alberta and pose a major risk to both industries and Albertans. The economic impact of a disease or pest outbreak could be substantial and the ministry would need to manage the consequences of cross-border trade closures, including animal welfare issues, monetary losses, etc.

Finally, extreme weather events create challenges for both the agriculture and forest industries. Although drought conditions can begin slowly and subtly, experience has proven that the impact can be as significant as other more dramatic disasters. Such conditions can lead to water shortages that affect crop, forage, hay productivity and livestock water needs, as well as extreme wildfires that threaten human lives, communities and economic interests.

STATEMENT OF OPERATIONS

| (thousands of dollars) | Comparable | | | | | |
|---|---|---|---|---|---|---|
| | 2015-16 Actual | 2016-17 Budget | 2016-17 Forecast | **2017-18 Estimate** | 2018-19 Target | 2019-20 Target |
| REVENUE | | | | | | |
| Internal Government Transfers | 461 | - | - | **370** | - | - |
| Transfers from Government of Canada | 308,364 | 304,215 | 381,739 | **297,734** | 309,583 | 312,504 |
| Investment Income | 133,313 | 138,053 | 133,246 | **142,434** | 146,282 | 152,515 |
| Premiums, Fees and Licences | 368,053 | 411,507 | 451,094 | **428,625** | 448,608 | 462,801 |
| Other Revenue | 12,809 | 12,791 | 12,766 | **10,197** | 7,836 | 7,187 |
| Ministry Total | 823,000 | 866,566 | 978,845 | **879,360** | 912,309 | 935,007 |
| Inter-Ministry Consolidations | (1,218) | - | - | **(1,120)** | (750) | (750) |
| Consolidated Total | 821,782 | 866,566 | 978,845 | **878,240** | 911,559 | 934,257 |
| EXPENSE | | | | | | |
| Ministry Support Services | 21,247 | 24,371 | 24,371 | **22,195** | 22,731 | 22,731 |
| Agriculture Policy and Economics | 14,464 | 16,899 | 16,699 | **16,518** | 16,553 | 16,553 |
| Agriculture Environment and Water | 52,919 | 53,782 | 53,182 | **48,430** | 52,141 | 52,061 |
| Food Safety and Animal Health | 46,338 | 47,989 | 48,119 | **41,591** | 45,094 | 45,094 |
| Industry Development | 131,184 | 124,210 | 141,131 | **143,792** | 142,299 | 142,092 |
| Forests | 587,003 | 195,950 | 445,925 | **201,886** | 206,032 | 206,032 |
| Climate Leadership Plan | - | - | 6,150 | **8,434** | 7,400 | - |
| Lending | 37,462 | 37,747 | 37,747 | **38,433** | 38,103 | 37,867 |
| Insurance | 606,115 | 471,864 | 799,757 | **476,341** | 489,161 | 508,682 |
| Agriculture Income Support | 86,669 | 128,618 | 186,856 | **122,144** | 122,925 | 123,748 |
| Debt Servicing Costs | 70,131 | 71,829 | 68,781 | **70,735** | 72,411 | 73,384 |
| Ministry Total | 1,653,532 | 1,173,259 | 1,828,718 | **1,190,499** | 1,214,850 | 1,228,244 |
| Inter-Ministry Consolidations | (18,323) | (11,654) | (11,654) | **(11,304)** | (11,304) | (11,304) |
| Consolidated Total | 1,635,209 | 1,161,605 | 1,817,064 | **1,179,195** | 1,203,546 | 1,216,940 |
| Net Operating Result | (813,427) | (295,039) | (838,219) | **(300,955)** | (291,987) | (282,683) |
| CAPITAL INVESTMENT | | | | | | |
| Ministry Support Services | 1,680 | 755 | 755 | **1,575** | 1,573 | 1,573 |
| Agriculture Environment and Water | 722 | 820 | 820 | **570** | 200 | 200 |
| Food Safety and Animal Health | 468 | 488 | 488 | **380** | 380 | 380 |
| Industry Development | 1,491 | 6,495 | 6,625 | **1,416** | 916 | 916 |
| Forests | 15,594 | 11,433 | 11,828 | **12,643** | 11,443 | 11,193 |
| Climate Leadership Plan | - | - | 104 | **975** | 200 | - |
| Lending | 1,657 | 2,277 | 2,277 | **1,876** | 1,877 | 1,877 |
| Insurance | 3,779 | 3,730 | 3,730 | **4,044** | 4,046 | 4,046 |
| Agriculture Income Support | 1,639 | 1,809 | 1,809 | **1,650** | 1,650 | 1,650 |
| Ministry Total | 27,030 | 27,807 | 28,436 | **25,129** | 22,285 | 21,835 |
| Inter-Ministry Consolidations | - | - | - | **(370)** | - | - |
| Consolidated Total | 27,030 | 27,807 | 28,436 | **24,759** | 22,285 | 21,835 |